

## Message Text

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ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-03 INR-11 NSAE-00 RSC-01 XMB-07 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 L-03 H-03 PA-04 PRS-01 USIA-15 NEA-14 IO-14

DRC-01 /183 W

----- 062586

P 010739Z AUG 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 5689

INFO AMEMBASSY SEOUL PRIORITY

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USADB

FOR NAC AGENCIES

E.O. 11652: DECLAS 10/31/74

TAGS: EAID, EFIN, KS

SUBJECT: PROPOSED ADB LOAN FOR SECOND HIGHWAY PROJECT-KOREA

SUMMARY: ADB MANAGEMENT PROPOSES \$10.0 MILLION EQUIVALENT LOAN FROM ORDINARY CAPITAL RESOURCES TO GOVT OF KOREA TO FINANCE FOREX COST OF IMPROVEMENT OF SUWEON-INCHEON ROAD AND ANYANG-NONGOGRI ROAD, CONSTRUCTION OF NEW SINWEOLDONG-GUODONG HIGHWAY, AND CONSULTING SERVICES. PROJECT AREA IS WITHIN TRIANGLE BOUNDED BY SPECIAL CITY OF SEOUL AND CITIES OF INCHEON AND SUWEON. PROJECT WILL ASSIST DEVELOPMENT POTENTIAL IN CAPITAL REGION AND WILL SERVE RURAL AS WELL AS INDUSTRIAL DEVELOPMENT. USADB RECOMMENDS FAVORABLE NAC ACTION.

1. ADB DOC R72-74 WITH ATTACHMENTS DESCRIBING PROPOSED  
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LOAN POUCHED ADDRESSEES JULY 30. BOARD CONSIDERATION

SCHEDULED AUG 20.

2. ADB MANAGEMENT PROPOSING \$10.0 MILLION LOAN FROM ORDINARY CAPITAL RESOURCES TO GOVT OF KOREA FOR SECOND HIGHWAY PROJECT. PROCEEDS WILL FINANCE FOREX COST OF IMPROVEMENT OF TWO EXISTING GRAVEL ROADS -- HIGHWAY 42 (SUWEON TO INCHEON) AND HIGHWAY 397 (ANYANG TO NONGOGRI) TO TWO-LANE STANDARDS WITH ASPHALT-CONCRETE PAVEMENT; CONSTRUCTION OF SINWEOLDONG-GUODONG HIGHWAY TO FOUR-LANE STANDARDS; AND CONSULTANT SERVICES. PROPOSED TERMS ARE 23 YEAR AMORTIZATION INCLUDING 3 YEAR GRACE PERIOD. INTEREST TO BE AT RATE PREVAILING AT TIME OF LOAN APPROVAL. REPUBLIC OF KOREA TO BE BORROWER AND MINISTRY OF CONSTRUCTION (MOC) THE EXECUTING AGENCY.

3. IN AUG 1972, BANK APPROVED TECHNICAL ASSISTANCE GRANT OF \$47,800 TO FINANCE TWO EXPERTS TO ASSIST KOREAN CONSULTANTS IN PREPARING FEASIBILITY STUDY FOR DEVELOPMENT OF ADDITIONAL ROAD FACILITIES IN SEOUL-INCHEON-SUWEON TRIANGLE. GOVT HAS ACCORDED HIGH PRIORITY TO CONTROL OF POPULATION INCREASE IN SEOUL AND TO REDEVELOPMENT OF METROPOLITAN AREA TO ACCOMMODATE FURTHER GROWTH IN AREA. CONSULTANTS CONCLUDED THAT PROPOSED ROAD DEVELOPMENT PROJECT SHOULD BE UNDERTAKEN ON PRIORITY BASIS.

4. IMPROVEMENT OF 43 KM SUWEON-INCHEON AND 6 KM ANYANG-NONGOGRI ROADS WILL SIGNIFICANTLY ASSIST GROWTH POTENTIAL OF AREA. EXISTING ROADS HAVE POOR DRAINAGE, SOME DANGEROUS SHARP CURVES AND EXTREMELY ROUGH GRAVEL SURFACE WHICH CAUSE RAPID DETERIORATION OF VEHICLES USING ROADS. SINWEOLDONG-GUODONG HIGHWAY (ABOUT 9 KM) WILL FORM PART OF FUTURE SEOUL RING ROAD, ABOUT 10 KM FROM CENTER OF CITY, WITH TOTAL LENGTH OF 82.8 KM OF WHICH 22.6 KM IS NOW OPEN TO TRAFFIC. IT WILL PERMIT DIRECT ACCESS FROM EXISTING SEOUL-INCHEON EXPRESSWAY IN OUTSKIRTS OF SEOUL TO SEOUL-BUSAN EXPRESSWAY. PROPOSED HIGHWAY WILL FACILITATE TRAFFIC MOVEMENTS IN SOUTHERN SUBURBS OF SEOUL, CONNECT HOUSING AND INDUSTRIAL COMPLEXES AND HELP REDUCE TRAFFIC CONGESTION WITHIN SEOUL CITY.

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5. TOTAL COST OF PROJECT IS ESTIMATED AT \$23.4 MILLION EQUIVALENT WITH \$10.0 MILLION FOREIGN EXCHANGE COMPONENT TO BE FINANCED BY BANK. GOVT WILL FINANCE \$13.4 MILLION EQUIVALENT LOCAL CURRENCY COMPONENT. HIGHWAY SPECIAL ACCOUNT OF NATIONAL BUDGET WILL PROVIDE FUNDS FOR SUWEON-INCHEON AND ANYANG-NONGOGRI ROADS, WHILE SPECIAL CITY OF SEOUL WILL MAKE FUNDS AVAILABLE FOR SINWEOLDONG-GUODONG HIGHWAY. FOREIGN EXCHANGE COMPONENT OF CIVIL WORKS IS

ESTIMATED AT 52 PERCENT OF TOTAL COST OF CIVIL WORKS, ASSUMING ALL CIVIL WORKS CONTRACTS WILL BE EXECUTED BY FOREIGN CONTRACTORS. IF ALL CIVIL WORKS ARE AWARDED TO DOMESTIC CONTRACTORS, COMPARABLE FOREIGN EXCHANGE COMPONENT WILL BE REDUCED TO 42 PERCENT OF TOTAL. TO EXTENT CIVIL WORKS ARE EXECUTED BY DOMESTIC CONTRACTORS, FOREIGN EXCHANGE COST OF CONSTRUCTION WILL BE REDUCED ACCORDINGLY.

6. FOREIGN CONSULTANTS WILL BE ENGAGED, IN ACCORDANCE WITH BANK'S GUIDELINES, FOR DESIGN AND CONSTRUCTION OF SINWEOLDONG-GURODONG HIGHWAY, PREPARATION OF TENDER DOCUMENTS AND CONSTRUCTION SUPERVISION, WITH DOMESTIC CONSULTANTS WORKING UNDER SUB-CONTRACTING ARRANGEMENTS WITH FOREIGN FIRM. FOR UPGRADING SUWEON TO INCHEON AND ANYANG TO NONGOGRI ROADS, GOVT PROPOSES TO ENGAGE DOMESTIC CONSULTING FIRM TO PREPARE DETAILED ENGINEERING DESIGNS, SPECIFICATIONS AND OTHER TENDER DOCUMENTS, WITH FOREIGN CONSULTING FIRM REVIEWING FINAL DESIGN SPECIFICATIONS AND TENDER DOCUMENTS AND ASSISTING GOVT IN ENGINEERING SUPERVISION OF CONSTRUCTION WORK. CONTRACTORS FOR CIVIL WORKS WILL BE SELECTED, IN ACCORDANCE WITH BANK'S GUIDELINES, THROUGH INTERNATIONAL COMPETITIVE BIDDING AMONG PREQUALIFIED CONTRACTORS, AND THEY WILL PROVIDE REQUIRED EQUIPMENT AND MATERIALS. PROJECT WILL BE IMPLEMENTED OVER THREE-YEAR PERIOD.

7. ALTHOUGH CONSTRUCTION OF SINWEOLDONG-GURODONG HIGHWAY SHOULD BE RESPONSIBILITY OF SPECIAL CITY OF SEOUL, MOC (AS EXECUTING AGENCY) WILL BE FULLY RESPONSIBLE THROUGH ITS BUREAU OF PUBLIC ROADS FOR COORDINATING PROJECT IMPLEMENTATION. HOWEVER, SPECIAL CITY OF SEOUL WILL PARTICIPATE IN PROJECT IMPLEMENTATION UNDER OVERALL COORDINATION AND DIRECTION OF MOC. SENIOR OFFICER OF MOC ACCEPTABLE TO BANK WILL BE DESIGNATED AS PROJECT LIMITED OFFICIAL USE

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MANAGER. GOVT HAS ASSURED THAT PROJECT, AFTER COMPLETION, WILL BE MAINTAINED IN GOOD CONDITION AND THAT ADEQUATE FUNDS WILL BE PROVIDED IN ANNUAL MAINTENANCE BUDGETS OF BOTH MOC AND SPECIAL CITY OF SEOUL.

8. PROPOSED PROJECT CONSIDERED TO BE TECHNICALLY SOUND AND ECONOMICALLY VIABLE, WITH ECONOMIC INTERNAL RATE OF RETURN ESTIMATED AT 27.5 PERCENT. PROJECT WILL ASSIST DEVELOPMENT POTENTIAL IN CAPITAL REGION AND WILL HAVE FAVORABLE IMPACT ON RURAL AS WELL AS INDUSTRIAL DEVELOPMENT. PROJECT WILL ALSO COMPLEMENT TWO OTHER BANK-FINANCED PROJECTS IN AREA - SEOUL-INCHEON EXPRESSWAY AND INCHEON PORT DEVELOPMENT. USADB SUPPORTS PROPOSAL AND RECOMMENDS FAVORABLE NAC ACTION.

9. REQUEST SEOUL'S COMMENTS FOR NAC AGENCIES, INFO  
USADB MANILA, PURSUANT TO STATE 119795 DTD 3 JULY  
1972.  
SULLIVAN

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CONSTRUCTION, BANK LOANS, HIGHWAYS, PROGRAMS (PROJECTS)  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 01 AUG 1974  
**Decaption Date:** 01 JAN 1960  
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**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** boyleja  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**Disposition Reason:**  
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**TAGS:** EAID, EFIN, KS, ADB-1  
**To:** STATE  
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